

The complaint

Miss S and Mr S complain that National Westminster Bank Plc (NatWest) has treated them unfairly by not allowing them to change their chosen interest rate product without submitting a new application.

What happened

Miss S and Mr S chose to apply for a mortgage online with NatWest in February 2023. In making the application, Miss S and Mr S chose to apply for a five-year fixed interest rate product at 4.83%.

In April 2023, Miss S and Mr S noticed that NatWest's interest rate products had gone down and it was now offering a five-year fixed interest rate product at 4.56%.

They approached NatWest and asked that they be switched on to the lower rate ahead of their mortgage completing. NatWest said to do so they would need to cancel their existing mortgage application and reapply for the new rate.

Miss S and Mr S complained. They explained they did not want to take this action so close to completion nor did they want a new credit check on their credit files. They mentioned that they were able to make other amendments (such as changing their solicitor) without needing to submit a new application so they do not see why this is any different. They are also unhappy that they were told they would have been able to make this change if they had applied via a broker but as they applied directly on an execution only basis, they were being treated differently.

NatWest investigated but did not uphold Miss S and Mr S's complaint. It said that as Miss S and Mr S chose to apply online in what's known as an execution-only basis, it was unable to discuss switching their rate with them and a new application would need to be submitted.

Unhappy with NatWest's response, Miss S and Mr S referred their complaint to our service.

One of our investigators looked into the complaint but did not think it should be upheld. He focused on Miss S and Mr S having made an execution-only application and therefore being responsible for selecting the correct product for them – without the intervention of NatWest. He also thought NatWest's suggestion that they submit a new application to be reasonable.

Miss S and Mr S disagreed with the investigator's assessment. They dispute that discussing a rate switch would mean NatWest was providing advice and they maintain that NatWest is breaching FCA principles that dictate a firm must treat its customers fairly.

As the complaint could not be resolved informally, it has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

In doing so, I've taken into account relevant law and regulations; regulators' rules and guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on a specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

I understand Miss S and Mr S feel strongly about this complaint and that they believe NatWest could and should be able to make the change they are seeking without the need for a brand-new application to be submitted. I can also appreciate their reluctance to cancel a mortgage application after it has already been approved and not wanting to have additional credit checks on their file.

But while I can appreciate why Miss S and Mr S feel the way they do, to uphold this complaint I would have to find that NatWest has made an error which has led to Miss S and Mr S being treated unfairly. And I am not persuaded that is the case here.

A change to the interest rate product on their mortgage is a significant change. It changes the cost of the lending to both parties and as a result, the contractual monthly repayments. As such, it is a fundamental change to the mortgage contract, and it differs greatly from just changing the name of the solicitors involved in the transaction.

In this instance, Miss S and Mr S have chosen to apply for a mortgage on an execution only basis – so any significant changes to the product they are applying for would need to be submitted as a new application. I do not find this to be unreasonable or indicative that NatWest has acted unfairly.

I note Miss S and Mr S believe the change could have been made without providing advice. And while this may technically be possible, it is not unreasonable for NatWest to have a policy that it does not discuss rate changes with consumers who have chosen to apply on an execution only basis. I say this because, in practice, it is hard to control the conversation in a way that strictly meets mortgage regulations on this topic and as such, NatWest would run the risk of what ends up being discussed straying into the territory of advice. So, while it may theoretically be possible for a business to enact a rate switch without breaching mortgage regulations surrounding execution only transactions, NatWest's decision not to do so on the basis that there is a real risk that advice may be given, is not of itself unfair.

I am aware Miss S and Mr S find it unfair that NatWest would've responded differently to their request had they applied via a broker. But had Miss S and Mr S applied via a broker, they would have been receiving advice from that third party and it would have been that third party's responsibility to advise them on the rate switch – advice would still have been provided, just not by NatWest.

Instead, Miss S and Mr S chose to opt out of an advised sale and apply online as execution only. NatWest was clear about its policy here and explained the options to Miss S and Mr S. It having a different process for those consumers who have chosen to receive third-party advice does not mean it has treated Miss S and Mr S unfairly.

Taking everything into account, I am satisfied NatWest's decision not to discuss or implement a rate switch for Miss S and Mr S to be fair and reasonable in the circumstances of this case. And I am not persuaded it has breached FCA principles as they have alleged. So, it follows that I do not uphold this complaint.

My final decision

For the reasons I've explained above, I do not uphold this complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S and Mr S to accept or reject my decision before 25 March 2024.

Lucy Wilson
Ombudsman